

# NHS Borders

2021/22 Annual Audit Report



 AUDIT SCOTLAND

Prepared by Audit Scotland  
August 2022

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# Key messages

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## 2021/22 annual report and accounts

- 1 Our audit opinions on the annual accounts are unmodified.
- 2 The draft accounts provided for audit were incomplete as they did not include the performance report and IJB results for 2021/22.
- 3 Valuations of land and buildings were not supported by onsite visits by the board's external valuer due to ongoing Covid-19 restrictions.

## Financial management and sustainability

- 4 NHS Borders operated within its revised Revenue Resource and Capital Resource Limits.
- 5 Significant additional demands have been placed on the Finance Team over the past two years. The quality and timeliness of the narrative sections of the draft accounts were not of the same standard as prior to the pandemic. In view of the necessary focus on the Turnaround Programme, it will be important to ensure there is sufficient capacity in the Finance Team to lead and support this vital programme going forward.
- 6 NHS Borders had appropriate budgetary controls in place.
- 7 The board achieved savings of £6.9 million during the year, however only £0.2 million of these are recurring. This will put pressure on NHS Borders to identify recurring savings in future years.
- 8 ICT improvements are being progressed, but there is a reliance on ICT contractor staff and policies have not been kept up to date.
- 9 In line with Scottish Government guidance NHS Borders developed a one-year financial plan for 2022/23. The plan identified an in-year deficit of £23.7 million, with savings of £11.5 million identified to address this.
- 10 Financial Turnaround plans were paused in March 2020 and are yet to be restarted.

## Governance, transparency, and value for money

- 11 NHS Borders has effective governance arrangements in place that support good governance and accountability. Changes to the arrangements in response to the Covid-19 outbreak in March 2020 and which continued in

2021/22, are set out in the Governance Statement in the annual report and accounts.

- 12** NHS Borders has published a remobilisation plan to address backlogs caused by the Covid-19 pandemic detailing how and when services will be restored.
- 13** NHS Borders has adapted its performance management framework to support the Scottish Government's Clinical Prioritisation Framework.
- 14** NHS Borders has an appropriate best value framework in place but needs to identify recurring savings to achieve financial sustainability.

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# Introduction

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**1.** This report summarises the findings from our 2021/22 audit of Borders Health Board (referred to as 'NHS Borders' or 'the health board' throughout). The scope of our audit was set out in our Annual Audit Plan presented to the 21 March 2022 meeting of the Audit Committee. This report comprises the findings from:

- an audit of NHS Borders' annual report and accounts
- consideration of the wider dimensions that frame the scope of public audit set out in the [Code of Audit Practice 2016](#)

**2.** The main elements of our audit work in 2021/22 have been:

- an audit of NHS Borders' 2021/22 annual report and accounts including the issue of an independent auditor's report setting out our opinions
- a review of NHS Borders' key financial systems
- consideration of the four audit dimensions.

**3.** The global coronavirus pandemic continued to have a considerable impact on NHS Borders during 2021/22 in the areas of the costs of healthcare provision, sickness absence levels, and the suspension of non-essential projects and activities.

## Adding value through the audit

**4.** We add value to NHS Borders by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability
- sharing intelligence and good practice through our national reports ([Appendix 4](#)) and good practice guides.

**5.** We aim to help NHS Borders promote improved standards of governance, better management and decision-making and more effective use of resources.

## Responsibilities and reporting

**6.** NHS Borders has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing an annual report and

accounts that are in accordance with the accounts direction from the Scottish Ministers.

**7.** NHS Borders is also responsible for establishing appropriate and effective arrangements for governance, propriety, and regularity.

**8.** Our responsibilities as independent auditor are established by the Public Finance and Accountability (Scotland) Act 2000 and the [Code of Audit Practice 2016](#) and supplementary guidance and International Standards on Auditing in the UK. As public sector auditors we give independent opinions on the annual report and accounts. Additionally, we conclude on the audit dimensions that frame the wider scope of public sector audit namely, financial management including the financial position and arrangements for securing financial sustainability, the suitability and effectiveness of corporate governance arrangements and the appropriateness and effectiveness of the performance management arrangements. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#).

**9.** This report raises matters from our audit. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

**10.** Our annual audit report contains an agreed action plan at [Appendix 1](#) setting out specific recommendations, responsible officers, and dates for implementation. It also includes actions from last year and the progress that has been made.

## Auditor Independence

**11.** Auditors appointed by the Accounts Commission or Auditor General must comply with the [Code of Audit Practice 2016](#) and relevant supporting guidance. When auditing the financial statements auditors must comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies.

**12.** We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2021/22 audit fee of £130,380, as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

**13.** This report is addressed to NHS Borders and the Auditor General for Scotland and will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) in due course. We would like to thank the management and staff who have been involved in our work for their cooperation and assistance during the audit.

## Audit appointment from 2022/23

**14.** The Auditor General for Scotland is responsible for the appointment of external auditors to Scottish health bodies. External auditors are usually appointed for a five year term either from Audit Scotland's Audit Services

Group or private firms of accountants. The financial year 2021/22 was a one year extension and is the last year of the current audit appointment round.

**15.** The procurement process for the new round of audit appointments was completed in May 2022. From next year (2022/23) a new team from Audit Scotland will be the auditors for NHS Borders. We are working closely with the new auditors to ensure a well-managed transition.

**16.** A new Code of Audit Practice applies to public sector audits for financial years starting on or after 1 April 2022. It replaces the Code issued in May 2016.

**17.** There are several significant changes introduced by the new Code, namely the integration of Best Value work into wider scope audit work and the audit of Best Value across the Integration Joint Boards.

**18.** We would like to thank board members, audit committee members, executive directors, and other staff, particularly those in finance, for their co-operation and assistance over the last six years.

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# 1. Audit of 2021/22 annual report and accounts

The principal means of accounting for the stewardship of resources and performance.

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## Main judgements

Our audit opinions on the annual accounts are unmodified.

The draft accounts provided for audit were incomplete as they did not include the performance report and IJB results for 2021/22.

Valuations of land and buildings were not supported by onsite visits by the board's external valuer due to ongoing Covid-19 restrictions.

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## Our audit opinions on the annual report and accounts are unmodified

**19.** The board are due to approve the annual report and accounts for the year ended 31 March 2022 on 1st September 2022. As reported in the independent auditor's report:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- expenditure and income were regular and in accordance with applicable enactments and guidance
- the audited part of the remuneration and staff report, performance report and governance statement were all consistent with the financial statements and properly prepared in accordance with the relevant legislation and directions made by Scottish Ministers.

## The Covid-19 pandemic had a limited impact on audit evidence

**20.** Covid-19 continues to present challenges for the audit of the annual report and accounts, both for the Board's finance team and our audit team. The working papers provided by the Board to support the accounts were of a good standard and the audit team received support from finance staff which helped ensure the final accounts audit process ran smoothly. However, there were no draft accounts available for the Scottish Borders Integration Joint Board (IJB) due to the IJB not having a permanent Chief Financial Officer in post. This



delayed the availability of IJB figures for including in the consolidated group accounts of NHS Borders.

## Reporting deadlines have returned to pre-Covid timetables

**21.** The Scottish Government has returned the deadline for the submission of health board audited annual report and accounts back to 30 June 2022. Prior to the Scottish Government's (SG) deadline announcement, NHS Borders agreed on 25 January that they would aim for submission on 30 June 2022.

**22.** The draft annual report and accounts were received in line with our agreed audit timetable on 11 May 2022. The draft annual report and accounts were not complete, with the performance report not being included in the original draft and consolidated IJB results not being available. An updated version of the draft annual report and accounts, including the performance report and initial results for the IJB, was provided on 24 May.

**23.** Due to late required changes to the annual report and accounts, the audited annual report and accounts were not able to be submitted by 30 June 2022. NHS Borders kept the SG informed of the delay.

## Overall materiality was revised on receipt of the unaudited annual report and accounts

**24.** Our initial assessment of materiality was carried out during the risk assessment and planning phase of the audit. This was reviewed and revised on receipt of the unaudited annual report and accounts and is summarised in [Exhibit 1](#). Our group and single entity levels of materiality were the same.

### Exhibit 1 Materiality values

Materiality level	Planning Amounts		Revised Amounts	
	Single entity	Group	Single entity	Group
Overall materiality	£3.8 million	£3.8 million	£3.96 million	£3.96 million
Performance materiality	£1.9 million	£2.5 million	£1.98 million	£2.6 million
Reporting threshold	£75 thousand	£110 thousand	£80 thousand	£115 thousand

Source: Audit Scotland

## We have significant findings to report on the annual report and accounts

**25.** International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices. The significant findings are summarised in [Exhibit 2](#).

### Exhibit 2

#### Significant findings from the audit of the financial statements

Issue	Resolution
<p><b>1. Land and building valuations</b></p> <p>The most recent full valuation of land and building assets at the board was for the year ending March 2020, which, due to national lockdown measures, was unable to be informed by site visits across the board's estate. A desktop valuation was agreed with the Property Advisor with values being calculated and updated in the board's asset register and 2020/21 Annual Report and Accounts. The ongoing impact from the global Covid-19 pandemic on the board's staff and services meant that site visits could not be arranged during 2021/22 due to infection control restrictions.</p>	<p>Indexation has been applied on the advice of the Property Advisor as at 31st March 2022. As part of our audit work, we confirmed the appropriateness of the indexation applied to assets.</p> <p>It is the intention of the Board to complete a full revaluation exercise, including site visits, during 2022/23 for asset values as at 31st March 2023. The Board should ensure that this is completed.</p> <p><b>Recommendation 1</b> (refer <a href="#">Appendix 1</a>, action plan)</p>
<p><b>2. Integration Joint Board transactions</b></p> <p>The draft accounts provided for audit did not contain updated consolidated figures for the Integration Joint Board (IJB) as figures had not been agreed with Scottish Borders Council.</p> <p>In addition, the IJB figures included within note 3 to the accounts (operating expenditure) and note 4 (operating income) were equal and did not reflect the surplus position of the IJB in 2021/22. Although this treatment was consistent with the prior year, audit work identified that this was not the correct accounting treatment.</p>	<p>The annual report and accounts were updated to reflect the correct figures in the entity and the consolidated accounts for the IJB. Prior year comparative figures within the accounts were also updated to reflect the consolidated position.</p>
<p><b>3. Payables figures</b></p> <p>The trade and other payables figures within note 12 to the accounts included a balance of £6.2 million for payments received on account (deferred income). Whilst the board held a 'by project' analysis of the deferred income balance, further workings were required to identify the timeline for each of the projects to ensure accurate reporting</p>	<p>The payables note was updated for the reclassification of figures within balances.</p> <p>The pay enhancements accrual was reclassified as a provision in the audited version of the annual report and accounts.</p> <p>Our testing of the deferred income</p>

Issue	Resolution
<p>within Note 12 as either Payable within 1 year or where commitments were for more than 1 year.</p> <p>We also identified an accrual of £3 million for pay enhancements within accruals in note 12 which should have been classed as a provision instead of accruals.</p> <p>In addition, the classification of figures within other payables balances of Scottish Government Health &amp; Social Care Directorate, Accruals, Net obligations under finance leases, Other public sector bodies, Other payables and SG PPE and Covid-19 Testing Kits were also adjusted following audit testing.</p>	<p>balances confirmed that the revised split in the updated annual report and accounts was appropriate. However, the balances include unanalysed amounts of deferred income. We confirmed that the remaining unanalysed amounts of deferred income were £1.6 million which is below materiality levels for the audit and therefore did not impact on the audit opinion. Management have agreed to further review deferred income balances during 2022/23.</p> <p><b>Recommendation 2</b> (refer <a href="#">Appendix 1</a>, action plan)</p>

Source: Audit Scotland

**26.** We have obtained audit assurances over the identified significant risks of material misstatement to the financial statements. [Exhibit 3](#) sets out the significant risks of material misstatement to the financial statements we identified in our 2021/22 Annual Audit Plan audit. It summarises the further audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

### Exhibit 3

#### Identified significant risks of material misstatement in the financial statements

Audit risk	Assurance procedure	Results and conclusions
<p><b>1. Risk of material misstatement due to fraud caused by the management override of controls</b></p> <p>As stated in International Standard on Auditing (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<p>Detailed testing of journal entries at the year-end</p> <p>Review of accounting estimates</p> <p>Focussed testing of significant accruals and prepayments</p> <p>Evaluation of significant transactions that are outside the normal course of business</p> <p>Substantive testing of significant transactions around the year end to confirm income and</p>	<p>No unusual or inappropriate transactions were identified as part of our detailed journal testing.</p> <p>A review of accounting estimates did not show any evidence of bias.</p> <p>Focussed testing on accruals and prepayments did not identify any instances of management override of controls.</p> <p>Substantive testing of transactions around the year end identified was</p>

Audit risk	Assurance procedure	Results and conclusions
	expenditure are accounted for in the correct financial year	satisfactory. <b>Conclusion:</b> We did not identify any incidents of management override of controls.

## Other areas of audit focus

**27.** In addition, as part of our 2021/22 Annual Audit, we identified other areas where we considered there to be risks of material misstatement to the financial statements. Based on our assessment of the likelihood and magnitude of these risks, we did not however consider these to represent significant risks. These areas of specific audit focus as described in the Annual Audit Plan were:

- Estimations and judgements – valuation of land and buildings. We will review the arrangements in place to satisfy the board that the annual revaluation process is complete and is free from material misstatement. There is also the risk, for those assets not subject to revaluation in-year, that the carrying value does not reflect current value.
- Payments to primary care contractors. These are a material and complex account area with payments totalling around £60 million each year. There was a qualification in the service auditor report in 2020/21, however we worked with NHS Borders to gain assurance over the reported figures in the financial statements. We will review the service auditor reports in 2021/22 and carry out testing to provide us with our required assurance.

**28.** We kept these areas under review throughout our audit. Based on the findings of the audit procedures performed, there are no additional matters which we need to bring to your attention.

## Misstatements of £2.8 million were adjusted

**29.** Total misstatements identified were £2.8 million and included adjustments to reflect the IJB outturn and treatment of payables balances noted in [Exhibit 2](#) above. Adjustments also included an increase of £0.5 million to provisions in the Consolidated Statement of Financial Position. This related to an increase to a provision for Clinical & Medical Legal Claims against the board due to information provided to the board by the Central Legal Office (CLO) regarding a claim after the draft annual report and accounts had been prepared. It also included an increase to the board's provision for participation in the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS) which was identified as part of a review of the figure provided by the CLO. The £0.5 million is not part of Annually Managed Expenditure (AME) and therefore does not affect the net expenditure of the board.

**30.** As was also the case in 2020/21, there was a late adjustment to the annual report and accounts to reflect the board's share of PPE and testing kits

distributed centrally by NHS National Services Scotland (NSS). This information was provided in June 2022 and resulted in an increase of £3.7 million to other operating expenditure and was matched by a corresponding increase to donated operating income.

**31.** Adjustments made in the audited annual report and accounts decreased net expenditure in the Statement of Consolidated Comprehensive Net Expenditure by £2.8 million and increased net assets in the Consolidated Statement of Financial Position by £2.1 million.

**32.** In addition to the above adjustments, contingent liabilities disclosed in the accounts increased by £21.1 million and contingent assets increased by £21.0 million, compared to the draft accounts. Both increases related to the board's expected share of liabilities and assets from participation in the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS) and were due to cases notified to the board after the draft accounts had been prepared. The classification of these cases as contingent liabilities and assets rather than provisions was guided by the CLO's assessment of the likely outcome of the cases. These disclosure adjustments did not have any impact on the position reported in the Statement of Consolidated Comprehensive Net Expenditure or Consolidated Statement of Financial Position.

**33.** It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected, although the final decision on making the correction lies with those charged with governance considering advice from senior officers and materiality. Management have adjusted all identified misstatements above our reporting threshold; there are no unadjusted errors to report.

**34.** We have reviewed the nature and causes of these misstatements and concluded that they were isolated in nature and identified in their entirety. Therefore, our audit approach did not need to be modified.

### **Limited progress was made on prior year recommendations**

**35.** The board has made limited progress in implementing our prior year audit recommendations, with none of the five prior year recommendations fully actioned. For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 1](#).

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## 2. Financial management

Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

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### Main judgements

NHS Borders operated within its revised Revenue Resource and Capital Resource Limits.

Significant additional demands have been placed on the Finance Team over the past two years. The quality and timeliness of the narrative sections of the draft accounts were not of the same standard as prior to the pandemic. In view of the necessary focus on the Turnaround Programme, it will be important to ensure there is sufficient capacity in the Finance Team to lead and support this vital programme going forward.

NHS Borders had appropriate budgetary control arrangements in place.

The board achieved savings of £6.9 million during the year, however only £0.2 million of these are recurring. This will put pressure on NHS Borders to identify recurring savings in future years.

ICT improvements are being progressed, but there is a reliance on ICT contractor staff and policies have not been kept up to date.

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### NHS Borders operated within its Revenue Resource Limit (RRL) of £304.4 million

**36.** The Scottish Government Health and Social Care Directorates (SGHSCD) set annual resource limits and cash requirements which NHS boards are required by statute to work within. In response to the pandemic in 2021/22, additional non-recurring funding allocations were provided based on the estimated financial impacts of the pandemic on the board.

**37.** As a result [Exhibit 4](#) shows that the Board operated within its revised limits during 2021/22.

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### Exhibit 4 Performance against resource limits in 2021/22

Performance against resource limits set by SGHSCD	Resource Limit £m	Actual £m	Underspend £m
Core revenue resource limit	304.4	304.2	0.2
Non-core revenue resource limit	5.3	5.3	0.0
<b>Total revenue resource limit</b>	<b>309.7</b>	<b>309.5</b>	<b>0.2</b>
Core capital resource limit	5.2	5.2	0.0
Non-core capital resource limit	0.0	0.0	0.0
<b>Total capital resource limit</b>	<b>5.2</b>	<b>5.2</b>	<b>0.0</b>
<b>Cash requirement</b>	<b>304.2</b>	<b>304.2</b>	<b>0.0</b>

Source: NHS Borders Annual Report and Accounts 2021/22

## IJB outturn and impact on NHS Borders

**38.** Scottish Borders Integration Joint Board (IJB) overspent on health delegated functions in 2021/22 and required additional year end funding of £4.6 million from NHS Borders.

**39.** As part of the overall outturn, NHS Borders provided resources of £176.6 million to the IJB. The IJB records a total carry forward of ring-fenced funding of £26.6 million, from which NHS Borders reports a 50% equity share (£13.3 million) presented within the Consolidated Statement of Financial Position within the annual report and accounts.

## Financial systems of internal control are operating effectively

**40.** From our review of the systems of internal control and testing the operating effectiveness of key controls, we did not identify any significant internal control weaknesses which could affect NHS Borders' ability to record, process, summarise and report financial and other relevant data to result in a material misstatement in the financial statements. We did identify some low level examples of processes not operating as expected, including changes to users and cost centres in the general ledger being retrospectively approved after the change had already been processed. We also noted that the level of salary overpayments increased between years, mostly due to delays in paperwork being processed. As detailed in [Appendix 1](#), we raised issues with internal controls as part of the 2021/22 audit and included a recommendation to address these points. An update on current progress is included in the appendix.

**41.** A small number of senior officers are key to the production of the annual report and accounts. In our opinion there are suitably qualified and experienced officers leading the board's finance team, with sufficient financial skills to manage the board's day to day resources. Like all groups of staff, significant additional demands have been placed on the team over the past

two years. The quality and timeliness of the draft accounts were not of the same standard as in recent years. In view of the necessary focus on the Turnaround Programme it will be important to ensure there is sufficient capacity in the finance team to lead and support this vital programme.

## Budget processes were appropriate. There was a significant financial impact due to Covid-19

**42.** We examined NHS Borders' budget monitoring arrangements. From our review of budget monitoring reports, committee papers and attendance at committees we confirmed that senior management and Board members receive regular, timely and up to date financial information on the board's financial position. The budget monitoring reports presented to each Board meeting clearly show the extent of the board's reliance on non-recurring savings and the content and format of the reports enable members to perform their scrutiny role.

**43.** NHS Borders' 2021/22 financial plan was agreed by the Finance and Resources Committee in March 2021. The Board's forecast included additional costs relating to Covid-19 and costs related to recovery and addressing service backlogs in other areas. These estimates were kept under review and reported in published plans to the Scottish Government on a regular basis.

**44.** Additional funding from the Scottish Government for Covid-19 related expenditure totalled £18.1 million for NHS Borders as shown in [Exhibit 5](#). The £18.1 million included additional allocations of £8.8 million to cover the non-delivery of savings.

### Exhibit 5 Covid-19 Costs compared to outturn

	Core outturn (£m)	Covid-19 (£m)	Unachieved savings (£m)	Total (£m)
NHS Board outturn excluding Covid-19 support	5.3	(14.6)	(8.6)	(17.9)
Covid-19 Additional Allocations		9.3	8.8	18.1
Outturn – Surplus/(Deficit)	5.3	(5.3)	0.2	0.2

Source: NHS Borders Annual Report and Accounts

## £6.9 million of efficiency savings were achieved

**45.** In its original budget for 2021/22, NHS Borders was required to make efficiency savings of £7.2 million, along with £5.0 million of flexibility from use of contingency reserves and by deferring actions. The board managed to achieve £6.9 million of savings during the year, however only £0.2 million of these were on a recurring basis.



## **ICT improvements are being progressed, but there has been a reliance on ICT contractor staff and policies have not been kept up to date**

**46.** In common with all NHS Scotland boards, NHS Borders is required to comply with the EU Network & Information Systems (NIS) regulation. Annual independent reviews performed by the Scottish Health Competent Authority (SHCA) evaluate the level of compliance at each board. Annual reports from these reviews show that although significant improvements are being achieved from year-to-year, there are still a number of challenges that need to be addressed. Progress of these will be the subject of continuing review by the SHCA.

**47.** Historic under-investment in the IT and digital infrastructure was acknowledged by the publication of the board's "Road to Digital" programme in 2017. The planned review and refresh of this three-year programme was due during 2020 but was delayed by the impact of responding to the Covid-19 Pandemic, which also increased the importance of, dependence upon and investment in the IT infrastructure. The building, equipping and implementation of a secondary data centre, during the pandemic, is the most significant practical demonstration of the board's commitment to infrastructure investment. This new facility, with separate power supply and data communications link, provided a much-needed improvement to the board's overall IT and digital resilience capabilities. It also demonstrated the capability of the IM&T department to deliver strategic programmes while supporting the tactical challenges generated by the pandemic.

**48.** We note that the review of the "Road to Digital" strategy and the preparation of a refreshed NHS Borders Digital Strategy are now underway. We will monitor the delivery of the new programmes set out in this strategy.

**49.** The increased reliance on IT infrastructure and services through the course of the pandemic placed additional pressures on the IM&T department to implement the systems and infrastructure changes required to underpin a rapidly changing healthcare environment. We note that there are many projects of varying size and complexity, some of which pre-date the pandemic. Understandably, the delivery of a number of these projects has been delayed, with the consequence that some planned upgrade programmes are taking longer to complete than previously anticipated. As a result, there has been an increased focus on maintaining and patching software that is near the end of its supported lifecycle. The capacity challenge presented by this ever-changing and expanding workload has been met, in part, by an increased reliance on contract staff. IM&T management recognise that this is not a sustainable position and have assured us that they are seeking to address this, while re-assessing what skills are now required to support post-pandemic services and infrastructure.

**50.** During our work this year we have been provided with a good, and varied, range of IM&T policies and procedures. It is clear from our review that a consistent approach to document management and control is not in place. While we acknowledge that good practice in this area may have lapsed during the pandemic, a number pre-date the pandemic by several years, with no noted formal review or refresh after initial publication. It would be good

practice to take stock of these documents, review them to make sure that they still reflect current practices, and implement a formal process of cyclical review for all IM&T policies and procedures.

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## Recommendation 3

Many IM&T policies and procedures require a formal review or refresh to ensure that they are still relevant.

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### NHS NSS controls over practitioner services operated effectively during the year

**51.** The NHS in Scotland procures several service audits each year for shared systems: NHS National Services Scotland (NHS NSS) procures service audits covering primary care payments (£2.8 billion of expenditure nationally) and the national IT contract; and NHS Ayrshire & Arran procure a service audit of the National Single Instance eFinancials service.

**52.** The NHS NSS service auditor's assurance reports in relation to primary care payments and the national IT contract were both unqualified in 2021/22, however both reports did contain emphases of matter. The emphasis of matter in the primary care payments report related to post payment verification services not being performed for general medical services, general dental services and general ophthalmic services payments. This was in line with Scottish Government circulars issued in response to the COVID pandemic. The emphasis of matter in the national IT contract report related to the master user listing and list of changes being manually maintained as the system was unable to generate lists of users and changes.

**53.** The board has included a reference to the emphases of matter in its Governance Statement. We did not consider that these represent additional risks to the board based on the compensating controls in place and local arrangements at the board.

### Internal audit

**54.** NHS Borders' internal audit function is carried out by Grant Thornton. Internal Audit have concluded their 2021/22 audit work and presented their Annual Audit Report, which included the annual Internal Audit opinion, to the 15 June 2022 Audit Committee. The Internal Audit annual opinion concluded that partial assurance could be given on the overall adequacy and effectiveness of the board's framework of governance, risk management and control. Six high priority actions were identified from their work and these have been appropriately summarised and disclosed in the Governance Statement within the Annual Report and Accounts. Management have agreed action plans to address the issues identified. The priority actions were:

- Two actions related to Mandatory and Statutory Training. It was identified training compliance could not always be evidenced and risk assessments are not always carried out to identify any risks to the organisation where staff members cannot attend mandatory training.

- Three actions were identified relating to IT Resilience and Recovery where it was identified that the major incident policy is out of date, there is no disaster recovery or business continuity exercise testing and there is little documentation to evidence current business impact assessments.
- One action was identified relating to Health and Safety Reporting where sample testing identified possible breaches in reporting timescales.

**55.** We reviewed the board's Internal Audit function to determine the extent to which we could use their work in terms of International Standard on Auditing (UK) 610 (Using the Work of Internal Auditors). Our review concluded that Grant Thornton complies with Public Sector Internal Audit Standards (PSIAS) and has appropriate procedures in place regarding their methodology and quality arrangements.

**56.** We have not carried out any re-performance of their work or placed assurance on internal audit work for the purposes of our financial statements audit due to their selection of audit areas in 2021/22. We have placed assurance on Internal Audit's reports for reporting on the wider audit dimensions.

### **Standards of conduct for prevention and detection of fraud and error are appropriate**

**57.** There are appropriate arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption, and for standards of conduct. The board is responsible for ensuring that its affairs are managed in accordance with proper standards of conduct by putting effective arrangements in place.

**58.** The National Fraud Initiative (NFI) is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. As part of the 2020/21 NFI exercise, a total of 1,116 matches were issued to NHS Borders on 28 January 2021. The investigative work on matches commenced in February 2021 and all matches were closed during the year. This work did not identify any frauds but did identify that a total amount of £1,517 had been processed as duplicate payments. This amount is being recovered from the relevant suppliers. We did not consider this to represent a wider risk of frauds or errors and our work on payables during the year did not identify any issues in this area.

**59.** Updates on counter fraud work, including NFI, are regularly reported to the Audit Committee during the year.

## 3. Financial sustainability

Financial Sustainability looks forward to the medium and long term to consider whether a body is planning effectively to continue to deliver its services.

### Main judgements

In line with Scottish Government guidance NHS Borders developed a one-year financial plan for 2022/23. The plan identified an in-year deficit of £23.7 million, with savings of £11.5 million identified to address this.

Financial Turnaround plans were paused in March 2020 and are yet to be restarted.

### Audit work has addressed the wider scope risks identified in our Annual Audit Plan

60. [Exhibit 6](#) sets out the significant risk, as it relates to the wider audit dimensions, we identified in our 2021/22 audit, our assurance procedures and the results and conclusions from our work. These risks influenced our overall audit strategy, the allocation of staff resources to the audit and informed where the efforts of the team were directed.

### Exhibit 6

#### Risk identified from the auditor's wider responsibility under the Code of Audit Practice

Audit risk	Assurance procedure	Results and conclusions
<p><b>4. Financial sustainability</b></p> <p>NHS Borders' 2021/22 financial monitoring reports include a recurring financial deficit of £16.3 million and predicted recurring savings of £2.5 million against required total savings of £7.9 million. In addition, the financial turnaround project at the Board has been halted due to the impact of the pandemic. Funding is currently expected to be received to cover the</p>	<p>We monitored the board's financial position as reported to the board / relevant committees.</p> <p>We reviewed any assessment of the board's future financial position (including medium term financial plan when available) and considered whether appropriate arrangements are in place to address the underlying recurring deficit.</p> <p>We attended and observed</p>	<p><b>Results &amp; Significant Judgements:</b> We reviewed the board's financial management arrangements and concluded that these are appropriate. The board achieved savings of £6.9m in 2021/22 however the majority of savings were delivered through non-recurring solutions.</p> <p>The Board's one-year financial plan for 2022/23 identifies an in-year deficit of</p>

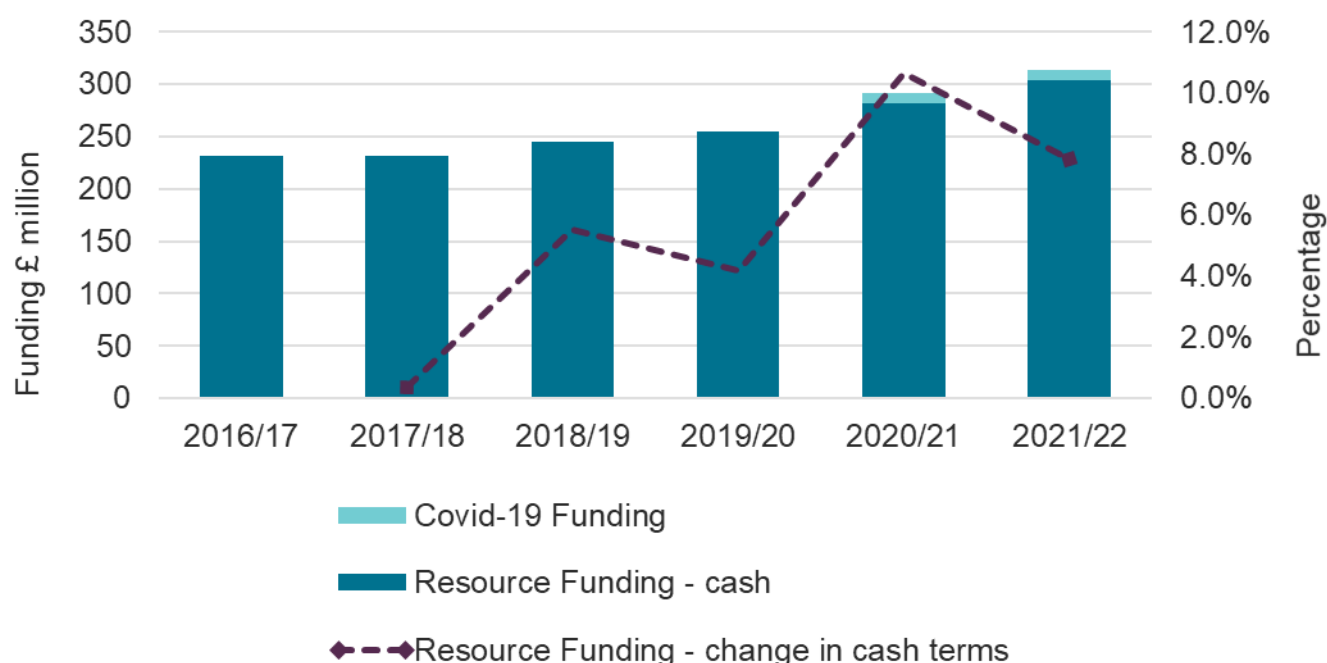
Audit risk	Assurance procedure	Results and conclusions
current year unachieved savings; however this is not expected to occur in future years. There is a risk that the Board cannot deliver services required over the medium term within the required budgets.	board and relevant committee meetings during the year.	<p>£23.7 million. Savings of £11.5 million have been identified, leaving a remaining deficit of £12.2 million.</p> <p>Financial turnaround programmes have been paused and not yet restarted.</p> <p><b>Conclusion:</b> Medium to long term financial sustainability remains a risk for NHS Borders.</p>

## Covid-19 funding has led to a 7.8 per cent increase in revenue funding in cash terms

61. Core revenue funding to NHS Borders in 2021/22 from the Scottish Government increased by 7.8 per cent in cash terms compared to 2020/21 ([Exhibit 7](#)). There was an extra £9.3 million for Covid-19 and £8.8 million to address unachieved savings. The current 2022/23 Scottish budget includes a further rise in baseline funding for NHS Borders of £4.5 million (2%). Funding for Covid-19 pressures is referred to in paragraph 44. .

### Exhibit 7

Cash core funding to NHS Borders has risen



Source: NHS Borders annual report and accounts / Audit Scotland

## Financial Turnaround plans have been paused due to the pandemic

**62.** Prior to the pandemic, NHS Borders forecasts identified the need to achieve efficiency savings of £14.6 million by 2022/23 on a recurring basis. The forecasts also identified likely brokerage requirements of £15.9 million over the three years of the forecast. The plan identified an increase to the board's underlying (recurring) financial deficit.

**63.** NHS Borders approved its 2022/23 budget in April 2022. This identified a £23.7 million gap between expected funding and expected costs. The board has plans for a total of £11.5 million of savings through recurrent and non-recurrent measures which will leave an in-year deficit of £12.2 million. The board has struggled to achieve recurring savings in recent years, with only £0.2 million achieved in 2021/22.

**64.** Funding is anticipated based on a 2% uplift and several specific allocations that have been announced by Scottish Government. The budget includes an assumption that any specific Covid-19 related costs in 2022/23 will again be fully funded by Scottish Government.

**65.** NHS Borders suspended its Financial Turnaround Programme in March 2020 in order to allow resources to be redeployed to support emergency planning for the Covid-19 response. This position continues to be reviewed on an ongoing basis, with recognition that there remains a significant focus on the ongoing pandemic and its impact on healthcare delivery.

**66.** While there has been significant additional funding provided to NHS Borders in 2020/21 and 2021/22, this has been allocated as non-recurring funding and the need to restart service redesign programmes is required over the medium term.

**67.** NHS Borders has experienced challenges in recruitment throughout the period and continues to be reliant on agency and locum staff. These increased costs will have a bearing on the Board's ability to achieve their medium to long term plans.

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## Recommendation 3

In view of the serious financial challenges the board faces in the short and long term, the board should prioritise re-establishing the Turnaround Programme, followed by the development of longer term financial plans.

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## Additional financial support received from the Scottish Government prior to the pandemic will need to be repaid

**68.** The Scottish Government previously provided £8.3 million of additional financial support to NHS Borders in 2019/20 which was due to be repaid in future years. While the Scottish Government suspended any scheduled repayments of additional support funding during the pandemic, NHS Borders

will need to factor in the remaining repayments into their revised medium term financial plan.

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# 4. Governance and transparency

The effectiveness of scrutiny and oversight, and transparent reporting of information.

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## Main judgements

NHS Borders has effective governance arrangements in place that support good governance and accountability. Changes to the arrangements in response to the Covid-19 outbreak in March 2020 which continued in 2021/22 are set out in the Governance Statement in the annual report and accounts.

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### Governance arrangements are appropriate

**69.** We reported in the 2019/20 and 2020/21 annual reports on the revised governance arrangements introduced by NHS Borders due to Covid-19. Board members provide appropriate scrutiny and challenge at meetings to ensure the board's performance is effectively reviewed.

**70.** The impact of Covid-19 from March 2020 has been set out in the Governance Statement in the board's 2021/22 annual report and accounts. These changes to governance arrangements were significant and allowed the board to respond to the unprecedented nature and scale of the threat to its communities and staff.

### Openness and transparency

**71.** Openness and transparency is how an organisation operates and makes decisions and ensures that the public have access to understandable, relevant and timely information about board decisions and how it is using resources such as money, people, and assets.

**72.** NHS Borders considers that it is not currently appropriate to convene meetings of the Board in public due to the measures put in place across the country to prevent the spread of Covid-19. However, members of the public can join the Board meetings online, with details of how to do this advertised on the board's website. Agendas and meeting papers are published on the website in advance of each Board meeting. We concluded that these arrangements are appropriate for the current situation.

**73.** The Public Bodies (Joint Working) (Scotland) Act 2014 required a review of the integration schemes by March 2021. A review of the integration schemes was delayed due to pressures on the board and Scottish Borders



Council from the Covid-19 pandemic. Health Boards and Local Authorities were advised by the Scottish Government that a light touch review of their local Scheme of Integration was appropriate, and this was completed by NHS Borders and Scottish Borders Council during the year. No major changes to the existing Scheme of Integration were identified from this work and the updated Scheme of Integration was submitted to Scottish Ministers for approval in March 2022.

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# 5. Value for money

Using resources effectively and continually improving services.

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## Main judgements

NHS Borders has published a remobilisation plan to address backlogs caused by the Covid-19 pandemic detailing how and when services will be restored.

NHS Borders has adapted its performance management framework to support the Scottish Government's Clinical Prioritisation Framework.

NHS Borders has an appropriate best value framework in place but needs to identify recurring savings to achieve financial sustainability.

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## NHS Borders' remobilisation plan has a series of actions designed to address backlogs caused by the Covid-19 pandemic and restore performance levels

**74.** The Scottish Government has requested NHS boards to produce and regularly revise Remobilisations Plans (RMPs) for the restoration of normal health services.

**75.** The first iteration of NHS Borders RMP was submitted to the Scottish Government on 25 May 2020 with the most recent RMP, RMP3, published in June 2021. In July 2021 the Scottish Government requested that each NHS Board provide a mid-year update on their 2021/22 RMP3. This approach was adopted in recognition that, when the RMP3 was developed, there was significant uncertainty around the trajectory of the Covid-19 pandemic, and the associated impact on services. This mid-year update was called Remobilisation Plan 4 (RMP4) and NHS Boards were asked to reflect progress to date and expectations for the remainder of 2021/22.

**76.** The NHS Borders' RMP sets out the areas where the board will focus its collective responses and actions to address backlogs caused by Covid-19, recognising the ongoing uncertainty in relation to Covid-19. This work primarily relates to acute care and hospital services, more specifically cancer and scheduled care, and progressing the regional programme. NHS Borders established a Remobilisation Planning Group (RPG) to coordinate the response and this group meets weekly.

**77.** The board is increasingly focussed on emerging health inequalities and recognises that remobilisation must address that agenda. In addition, the board recognises pressures from workforce sustainability and availability, with well-being and turnover of staff being important considerations.

**78.** The Scottish Government response to the board's draft RMP4 confirmed that for the period 2022-25, the Annual Operational Plan (AOP)/RMP will be replaced with a three-year integrated plan (currently named Recovery Plan). This will enable a more strategic approach to planning and support programmes of service transformation, aligned with the NHS Recovery Plan and the Care and Wellbeing Portfolio. These plans will be high level narratives setting out NHS Borders' key priorities for recovery and transformation within this period, and how these contribute to national priorities.

**79.** These three-year plans will be underpinned by an Annual Delivery Plan (ADP) and NHS Boards will be required to provide quarterly ADP updates to the Scottish Government. The three-year plans are required to be submitted to the Scottish Government by the end of July 2022. Discussions are underway nationally to attempt to integrate this process with workforce and financial planning processes. Further detail is awaited by NHS Boards

### **NHS Borders has adapted performance monitoring and reporting to reflect the Clinical Prioritisation Framework.**

**80.** In November 2020, the Scottish Government published the Framework for Clinical Prioritisation providing guidance for prioritising elective care whilst ensuring appropriate Covid-19 safety and priority measures are in place.

**81.** While the duties under the Patient Rights (Scotland) Act 2011 still apply, it is expected that the framework is the primary tool for monitoring service performance during the pandemic.

**82.** NHS Borders has adapted their internal performance reporting to reflect this, and performance reports have been considered by the Performance Committee regularly throughout 2021/22. Performance has been reported on a smaller suite of specific standards from the Annual Operational Plan (AOP), outlining the performance against previously agreed standards. These standards include Delayed Discharges, Cancer Treatment and Sickness Absence.

### **Service performance against national waiting time standards is reported as being behind**

**83.** The 2021/22 annual report and accounts include the position at the end of March 2022 on the board's performance against national waiting time standards. While these are not currently the board's primary focus for performance monitoring, they provide context for the scale of the impact of the pandemic on the delivery of health services. [Exhibit 8](#) demonstrates how activity and waiting times have been impacted by Covid-19 and [Exhibit 9](#) provides a comparison of current waiting times compared to prior years.

**84.** As highlighted earlier in this report, the board's RMP4 sets out the areas where they will focus their collective responses and actions to address backlogs caused by Covid-19. This work primarily relates to acute care and hospital services, as well as including actions underway to try and address health inequalities.

## Exhibit 8

### Trends in demand and activity per acute services

Demand		% change
Number waiting for diagnostic tests	Monthly Dec 2020 to Dec 2021	1,807 to 1,339
		-25.9%
Number of patients waiting for an inpatient or day case admission	Dec 2020 to Dec 2021	1,370 to 2,179
		59.1%
Number of patients waiting for a new outpatient appointment	Quarterly Dec 2020 to Dec 2021	6,074 to 10,436
		71.8%
Activity		
Number of scheduled elective operations in theatre system	Monthly Dec 2020 to Mar 2022	144 to 424
		194.4%
Number of inpatient and day case admissions	Quarterly Dec 2020 to Dec 2021	459 to 497
		8.3%
Number of new outpatient appointments	Quarterly Dec 2020 to Dec 2021	4,339 to 5,723
		31.9%
Length of waits		
Number waiting longer than 6 weeks for diagnostic tests	Monthly Dec 2020 to Dec 2021	606 to 464
		-23.4%
Number of patients waiting longer than 12 weeks for an inpatient or day case admission	Dec 2020 to Dec 2021	910 to 1,602
		76.0%
Number of patients waiting longer than 12 weeks for a new outpatient appointment	Quarterly Dec 2020 to Dec 2021	3,032 to 6,459
		113.0%

Source: Public Health Scotland

**Exhibit 9****Impact of Covid-19 on national waiting time standards**

Target/standard	Performance at March 2020	Performance at March 2021	Performance at March 2022 <sup>1</sup>
<b>Cancer 62 Day RTT</b> Proportion of patients that started treatment within 62 days of referral (target 95%)	95%	95.6%	95.5%
<b>18 Weeks RTT</b> Proportion of patients that started treatment within 18 weeks of referral (target 90%)	90%	74.4%	65.6%
<b>Patient Treatment Time Guarantee (TTG)</b> Number of inpatients or day cases that were not seen within 12 weeks	62 patients	81 patients	200 patients
<b>Outpatients waiting more than 12 weeks</b> Number of patients on the waiting list at month end who have been waiting more than 12 weeks since referral at month end	287 patients	3,489 patients	5,177 patients
<b>A &amp; E attendees</b> Proportion of A & E attendees who were admitted, transferred, or discharged within 4 hours (target 95%)	85.5%	87.1%	62%
<b>Cancer 31 Days RTT</b> Proportion of patients who started treatment within 31 days of decision to treat (target 95%)	100%	97.5%	100%
<b>Drug and Alcohol 21 days</b> Proportion of drug and alcohol patients that started treatment within 21 days (target 90%)	93%	100%	100%
<b>CAMHS Waiting Times</b> Proportion of patients seen within 18 weeks of referral (target 90%)	84.2%	40%	47.6%

Note. 1: Figures still to be validated by NHS Information Services Division.

Source: NHS Borders Annual Report and Accounts

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## NHS Borders has an appropriate best value framework

**85.** [Ministerial guidance to Accountable Officers](#) for public bodies and the [Scottish Public Finance Manual](#) (SPFM) sets out the accountable officer's duty to ensure that arrangements are in place to secure best value. The guidance sets out the key characteristics of best value and states that compliance with the duty of best value requires public bodies to take a systematic approach to self-evaluation and continuous improvement.

**86.** We reviewed NHS Borders' Best Value Framework during our audit and concluded that appropriate arrangements were in place. However, as set out previously in the Financial Sustainability section of this report, the board is struggling to achieve recurring savings and financial sustainability.

## National performance audit reports

**87.** Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. In 2021/22 several reports were published which may be of direct interest to the board and are highlighted in [Appendix 2](#).

**88.** The NHS in Scotland Report on the 2021/22 audits is due to be published early 2023.

# Appendix 1. Action plan 2021/22

## 2021/22 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p><b>1. Asset valuations</b></p> <p>Land and building assets at the board were valued by the Property Advisor in 2019/20 through a desktop exercise and updated by indexation in subsequent years. The ongoing impact from the Covid-19 pandemic on the board's staff and services meant that site visits could not be arranged during 2021/22 due to infection control restrictions.</p> <p>Risk – there is a risk that asset valuations do not represent accurate current valuations if asset conditions are not verified by site visits.</p>	<p>The Board should ensure that a full revaluation exercise, including site visits, is completed during 2022/23 for asset values as at 31st March 2023.</p> <p><a href="#">Exhibit 2</a></p>	<p>Agreed.</p> <p><b>Responsible officer:</b> Deputy Director of Finance</p> <p><b>Agreed date:</b> by 31<sup>st</sup> March 2023 so that the results of the valuation can be included in the 2022/23 NHS Borders Annual Report and Accounts.</p>
<p><b>2. Payables balances</b></p> <p>Balances within the trade payables note to the accounts were reclassified and adjusted following audit testing.</p> <p>Risk – there is a risk that analysis of trade payables within the notes to the accounts is not correct.</p>	<p>The Board should ensure that payables balances are fully analysed ahead of the draft accounts being prepared in future years. Management should ensure that processes are put in place to ensure that payables balances are adequately supported by appropriate evidence</p> <p><a href="#">Exhibit 2</a></p>	<p><b>Agreed</b></p> <p><b>Responsible officer:</b> Deputy Director of Finance</p> <p><b>Agreed date:</b> 31st March 2023.</p>
<p><b>3. ICT policies</b></p> <p>From a review of Information Management and Technology (IM&amp;T) policies and</p>	<p>IM&amp;T policies and procedures should be formally reviewed or refreshed to ensure that they are still relevant.</p>	<p>The IM&amp;T Delivery Manager will engage with Heads of Services and resilience teams to carry out Business</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>procedures, we identified that a consistent approach to document management and control is not in place. A number pre-dated the onset of the pandemic by several years, with no noted formal review or refresh after initial publication.</p> <p>Risk – there is a risk that the policies and procedures in place do not represent current practices at the board.</p>	<p><a href="#">Paragraph 50.</a></p>	<p>Impact Assessments (BIAs) and detail Recovery Time Objectives (RTOs) &amp; Recovery Point Objectives (RPOs) and ensure the Business Continuity &amp; Disaster Recovery is in line with Service and Organisational requirements. Once complete, document all procedures for Business Continuity and Disaster Recovery activity including Operational Level Agreements (OLAs), RTOs, RPOs for all business critical systems &amp; infrastructure.</p> <p><b>Responsible officer:</b> IT Delivery Manager</p> <p><b>Agreed date:</b> 31<sup>st</sup> March 2023</p>
<p><b>3. Financial Planning and savings</b></p> <p>Additional funding has been provided to the board in order to support the Covid-19 response in 2020/21 and 2021/22 and a one-year financial plan for 2022/23 has been developed. The board achieved £6.9 million of savings in 2021/22 but these were mainly achieved on a non-recurring basis. Longer-term financial plans will need to be developed to address the expected funding pressures. The Financial Turnaround programme has been paused since March 2020 and has not yet been restarted.</p> <p>Risk – The board will not return to a balanced financial position if financial planning and efficiencies savings are not prioritised and achieved.</p>	<p>In view of the serious financial challenges the board faces in the short and long term, the board should prioritise re-establishing the Turnaround Programme, followed by the development of longer term financial plans.</p> <p><a href="#">Paragraph 67.</a></p>	<p>A refreshed financial improvement programme is currently being developed and will be launched in July 2022.</p> <p>The board will work together with Scottish Government in required timelines for the production and submission of longer term financial plans.</p> <p><b>Responsible officer:</b> Director of Finance</p> <p><b>Agreed date:</b> Financial Turnaround - July 2022</p> <p>Longer term financial plans in line with Scottish Government required timelines.</p>



## Follow-up of prior year recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p><b>b/f 1. Internal Controls issues</b></p> <p>As part of our interim audit work we identified a number of issues with internal financial controls.</p> <p>Risk – Although the weaknesses identified did not represent significant risks due to mitigating controls or limited area of impact, the identified issues should be addressed to avoid possible errors.</p>	<p>We recommend that NHS Borders takes action to address the weaknesses in the system of internal control in 2021/22.</p>	<p><b>2020/21 action:</b></p> <p>Financial Operating Procedures will be reviewed and revised as appropriate for areas where weaknesses have been highlighted.</p> <p>Responsible officer: Deputy Director of Finance (Head of Finance)</p> <p>Agreed date: 30 September 2021</p> <p><b>Update:</b></p> <p>Long term sickness absence and retirements to finance team have further disrupted timescales. We have now established a Short Life Working Group to review Financial Operating Procedures and will be working to review all procedures during 2022/23, prioritising those issues noted within the audit by September 2022.</p>
<p><b>b/f 2. Financial Planning and savings</b></p> <p>Additional funding has been provided to the board in order to support the Covid-19 response and a one-year financial plan for 2021/22 was developed. However longer-term financial plans will need to be developed to address the expected funding pressures. The Financial Turnaround programme has been paused since March 2020 and has not yet been restarted.</p>	<p>The board should develop longer term financial plans and prioritise re-starting the Financial Turnaround programme if financial balance is to be restored.</p>	<p><b>2020/21 action:</b></p> <p>Discussions are ongoing with the SGH&amp;SC Finance Directorate to agree timelines for submission of a three year Financial Plan.</p> <p>The Board Executive Team and the Board are currently discussing the planned re-start date for the Financial Sustainability Programme. October is the indicative re-start date at this point.</p> <p>Responsible officer: Director of Finance</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>Risk – The board will not return to a balanced financial position if financial planning and efficiencies savings are not prioritised and achieved.</p>		<p>Agreed date: Quarter 3 2021/22</p> <p><b>Update:</b> A draft three year financial plan will be developed by end July 2022 in line with Scottish Government requirements. Work will continue through 2022/23 to refine this plan in advance of the 2023/24 planning round.</p> <p>Financial recovery programme is currently being re-established with first round of monthly meetings with all business units to commence in July 2022. An updated financial recovery plan will be prepared by end July.</p>
<p><b>b/f 3. Cyber essentials</b></p> <p>Cyber resilience continues to be at risk while unsupported systems and aged servers remain in use. The board has not yet achieved the Cyber Essentials accreditation.</p> <p>Risk – the board remains at risk of both cyber-attack and business continuity disruption.</p>	<p>The board should continue to work towards achieving the Cyber Essentials certification in order to reduce the risk from cyber-attacks.</p>	<p><b>2020/21 action:</b></p> <p>The IM&amp;T Portfolio Board and the Borders Capital Investment Group will oversee the profile of work required on unsupported systems and aged servers and will consider the resources available (funding and staffing) to support this work. The Board will be regularly updated on this work.</p> <p>Responsible officer: Director of Planning and Performance</p> <p>Agreed date: December 2021</p> <p><b>Update:</b> The introduction of the Network &amp; Information Systems Regulations 2018 (NIS) categorises the NHS as an Operator of Essential Services (OES) and places a statutory obligation on the</p>

Issue/risk	Recommendation	Agreed management action/timing
		<p>NHS to achieve NIS compliance standards. The NIS standards include all the requirements of the Cyber Essential (CE) in addition to more comprehensive requirements around cyber security and information governance. NIS compliance would therefore address the requirements of CE and much more.</p> <p>This greater cyber security standard is acknowledged by Scottish Government who grade CE+ accreditation as 18% cyber security compliant, while NIS would achieve between 80% - 100%.</p> <p>NHS Borders actions, in light of this, are in common with other territorial Boards and are aimed at concentrating our limited resources on NIS compliance as it is still not possible to determine a timescale for Cyber Essential accreditation.</p>
<p><b>b/f 4. Accounting for IJB set aside amounts</b></p> <p>The arrangements to record the sum set aside for hospital acute services, under the control of the Borders Integration Joint Board (IJB), are not yet operating as required by legislation and statutory guidance. A figure has been agreed in 2019/20 based on the budget agreed at the start of the year between NHS Borders and the IJB, rather than actual expenditure.</p>	<p>We recommend management should consult on this matter with the Scottish Government and other health boards to develop their accounting practices for the IJB sum set aside in 2020/21.</p>	<p><b>2020/21 action:</b></p> <p>The 2020/21 IJB Annual Accounts includes set aside budgets based on actual expenditure incurred in year.</p> <p>Further work will be taken forward to develop accounting practices for set aside budgets following the appointment of the IJB Chief Finance Officer.</p> <p>Responsible officer: Director of Finance NHS Borders</p> <p>Revised date: March 2022</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>NHS Borders have applied Scottish Government's transitional arrangements now for four years.</p>		<p><b>Update:</b></p> <p>Transitional arrangements have again been applied in 2021/22.</p> <p>IJB Chief Finance Officer now appointed and will commence in post on 1st August 2022.</p> <p>Recommended actions will be raised with CFO by NHS Borders Director of Finance and an action plan agreed for implementation at March 2023.</p>
<p><b>b/f 5. Equality considerations</b></p> <p>The board has scope to address challenges that it identified in its 2019 mainstreaming report update as follows:</p> <ul style="list-style-type: none"> <li>• Complete, implement and sufficiently resource its review of the corporate governance arrangements for discharging its equality and diversity responsibilities.</li> <li>• Promote awareness and understanding of equality and diversity across all parts of the organisation, including the value of staff disclosing full details of their personal characteristics in confidential staff surveys.</li> <li>• Ensure that equality and diversity issues are addressed in sustained continuing professional development for all staff groups, including the management board.</li> <li>• Evidence equality and diversity aspects of its stakeholder engagement and</li> </ul>	<p>We recommend management consider developing its equality considerations in these areas.</p> <p>The Equalities Mainstreaming Report was due to be published in April 2021 but has not yet been published.</p>	<p><b>2020/21 action:</b></p> <p>Progress will be reported in Equalities Mainstreaming Report.</p> <p>Responsible officer: Joint Director of Public Health</p> <p>Agreed date: 31 July 2021</p> <p><b>Update:</b></p> <p>The Equalities Mainstreaming Report 2021 has been published.</p> <p>The Director of Public Health has acknowledged that there is further work required to fully deliver recommendations but has highlighted that resources currently available are insufficient to achieve this outcome.</p> <p>A new Director of Public Health will be appointed during 2022. These points will be raised with the new post holder following appointment with expectation that consideration is given to any additional actions to be taken in advance of the 2022/23 mainstreaming report.</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>consultation activity.</p> <ul style="list-style-type: none"><li>• Support services to ensure that when feedback and complaints identify the need for improvements, useful changes are implemented</li><li>• Regularly publish, online, updated lists of completed equality impact assessments.</li></ul>		

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# Appendix 2. Summary of 2021/22 national performance reports and briefing papers

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## May

[Local government in Scotland Overview 2021](#)

## June

[Covid 19: Personal protective equipment](#)

## July

[Community justice: Sustainable alternatives to custody](#)

## September

[Covid 19: Vaccination programme](#)

## January

[Planning for skills](#)

[Social care briefing](#)

## February

[NHS in Scotland 2021](#)

## March

[Local government in Scotland: Financial Overview 20/21](#)

[Drug and alcohol: An update](#)

[Scotland's economy: Supporting businesses through the Covid 19 pandemic](#)

# NHS Borders

## 2021/22 Annual Audit Report

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